THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL PROVISIONS – CALIFORNIA

NOTICE

Throughout this policy, the term spouse includes an individual registered under California Law as a domestic partner with the "named insured" shown in the Declarations.

SECTION I – EXCLUSIONS

8. Intentional Loss

The following paragraph is added:

This exclusion does not apply, with respect to loss to covered property caused by fire, to an "insured" who does not commit or conspire to commit any act that results in loss by fire. We cover such "insured" only to the extent of that "insured's" legal interest, but not exceeding the applicable limit of liability.

We may apply reasonable standards of proof to claims for such loss.

(This is Exclusion **A.8.** in Forms **HO 00 03** and **HO 00 05.**)

SECTION I – CONDITIONS

D. Loss Settlement

Paragraph **2.e.** is replaced by the following:

In Forms **HO 00 02, HO 00 03** and **HO 00 05,** Paragraph **2.e.** is replaced by the following:

e. We must be notified within:

(1) 24 months after our payment for actual cash value if the loss or damage relates to a state of emergency under California Law; or

(2) 12 months after our payment for actual cash value in all other cases;

that you intend to repair or replace the damaged property.

In Form **HO 00 08,** Paragraph **2.a.** is replaced by the following:

a. If you repair or replace the loss to restore the building structure for the same occupancy and use at the same site within:

(1) 24 months of the date of the loss if the loss or damage relates to a state of emergency under California Law; or

(2) 12 months of the date of the loss in all other cases;

we will pay the lesser of the following amounts:

(3) The limit of liability that applies to the damaged or destroyed building structure; or

(4) The necessary amount actually spent to repair or replace the loss to the building structure but no more than the cost of using common construction materials and methods where functionally equivalent to and less costly than obsolete, antique or custom construction materials and methods.

Paragraph **F. Appraisal** is replaced by the following:

F. Appraisal

If you and we fail to agree on the amount of loss, then either party may make a written request for an appraisal. However, both parties must agree to the appraisal. In this event, each party will select a competent and impartial appraiser. Each party shall notify the other of the appraiser selected within 20 days of the request. Where the request is accepted, the two appraisers will select a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will appraise the loss, stating separately the loss to each item. If they fail to agree, they will submit their differences to the umpire. An award in writing, agreed to by any two, will set the amount of loss.

Each party will:

1. Pay its own appraiser; and

2. Bear the other expenses of the appraisal and umpire equally.

Paragraph **H. Suit Against Us** is replaced by the following:

H. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this policy and the action is started within one year after the date of loss.

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Paragraph **J. Loss Payment** is replaced by the following:

J. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 30 days after we receive your proof of loss and:

1. Reach an agreement with you;

2. There is an entry of a final judgment; or

3. There is a filing of an appraisal award with us.

Paragraph **R. Concealment Or Fraud** is replaced by the following:

R. Concealment Or Fraud

1. With respect to loss caused by fire, we do not provide coverage to the "insured" who has:

a. Intentionally concealed or misrepresented any material fact or circumstance;

b. Engaged in fraudulent conduct; or

c. Made false statements;

relating to this insurance.

2. With respect to loss caused by a peril other than fire, we provide coverage to no "insureds" under this policy, if, whether before or after a loss, an "insured" has:

a. Intentionally concealed or misrepresented any material fact or circumstance;

b. Engaged in fraudulent conduct; or

c. Made false statements;

relating to this insurance.

(This is Condition **Q.** in Form **HO 00 04.**)

SECTIONS I AND II – CONDITIONS

C. Cancellation

Paragraphs **2.b., 2.c., 2.d., 3.** and **4.** are replaced by the following:

b. When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason, except as provided below, by letting you know at least 20 days before the date cancellation takes effect.

We may not cancel this policy solely because:

(1) You accepted an offer of earthquake coverage;

(2) Corrosive soil conditions exist on the "residence premises". This Provision **(2)** applies only if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

(a) Homeowners 3 – Special Form;

(b) Homeowners 5 – Comprehensive Form;

(c) Special Personal Property Coverage Endorsement;

(d) Unit-owners Coverage **A** Endorsement; or

(e) Unit-owners Coverage **C** Endorsement; or

(3) You cancelled or did not renew an earthquake policy issued by the California Earthquake Authority (CEA) that included an earthquake policy premium surcharge.

However, we may cancel this policy if you have accepted a new or renewal policy issued by the CEA that included an earthquake policy premium surcharge, but you failed to pay the earthquake policy premium surcharge authorized by the CEA.

However, in the event of a total loss to the "residence premises", we will not cancel while any structure at that location is being rebuilt except for the reasons stated in Paragraphs **2.a.** and **2.c.** of this Condition **C.** Cancellation.

c. When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may only cancel if there has been:

(1) Conviction of a crime having as one of its necessary elements an act increasing the hazard insured against; or

(2) Discovery of fraud or material misrepresentation by:

(a) Any "insured" or his or her representative in obtaining this insurance; or

(b) You or your representative in pursuing a claim under this policy; or

(3) Discovery of grossly negligent acts or omissions substantially increasing any of the hazards insured against; or

(4) Physical changes in the property insured against which result in the property becoming uninsurable.

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However, we may not cancel this policy solely because:

(a) Physical changes occur due to a total loss; or

(b) Corrosive soil conditions exist on the "residence premises" if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

(i) Homeowners 3 – Special Form;

(ii) Homeowners 5 – Comprehensive Form;

(iii) Special Personal Property Coverage Endorsement;

(iv) Unit-owners Coverage **A** Endorsement; or

(v) Unit-owners Coverage **C** Endorsement; or

(5) Acceptance of a new or renewal policy issued by the CEA that included an earthquake policy premium surcharge, but you failed to pay the earthquake policy premium surcharge authorized by the CEA.

This can be done by notifying you at least 30 days before the date cancellation takes effect.

d. When this policy is written for a period longer than one year, we may cancel for any reason at anniversary by notifying you at least 45 days before the date cancellation takes effect.

3. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata. However, the return premium may be less than pro rata if we made a loan to you for the purpose of payment of premiums for this policy.

4. If, when we cancel this policy, the return premium is not refunded with the notice of cancellation, we will refund it within 25 days after we send the cancellation notice to you. If, when you cancel this policy, the return premium is not refunded when this policy is returned to us, we will refund it within 25 days of the date when we receive your notice of cancellation.

Paragraph **D. Nonrenewal** is replaced by the following:

D. Nonrenewal

1. We may elect not to renew this policy, subject to the provisions of **2.** below. We may do so by delivering to you, at your mailing address shown in the Declarations, written notice at least 45 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

2. We will not refuse to renew this policy:

a. Solely because you accepted an offer of earthquake coverage.

However, the following applies only to insurers who are associate participating insurers as established by Cal. Ins. Code Section 10089.16. We may elect not to renew this policy after you have accepted an offer of earthquake coverage if one or more of the following reasons apply:

(1) The nonrenewal is based on sound underwriting principles that relate to the coverages provided by this policy and that are consistent with the approved rating plan and related documents filed with the Department of Insurance as required by existing law;

(2) The Commissioner of Insurance finds that the exposure to potential losses will threaten our solvency or place us in a hazardous condition. A hazardous condition includes, but is not limited to, a condition in which we make claims payments for losses resulting from an earthquake that occurred within the preceding two years and that required a reduction in policyholder surplus of at least 25% for payment of those claims; or

(3) We have:

(a) Lost or experienced a substantial reduction in the availability or scope of reinsurance coverage; or

(b) Experienced a substantial increase in the premium charged for reinsurance coverage of our residential property insurance policies; and

the Commissioner has approved a plan for the nonrenewals that is fair and equitable, and that is responsive to the changes in our reinsurance position.

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b. Solely because you cancelled or did not renew an earthquake policy, issued by the CEA, that included an earthquake policy premium surcharge;

c. Solely because corrosive soil conditions exist on the "residence premises". This Provision **c.** applies only if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

(1) Homeowners 3 – Special Form;

(2) Homeowners 5 – Comprehensive Form;

(3) Special Personal Property Coverage Endorsement;

(4) Unit-owners Coverage **A** Endorsement; or

(5) Unit-owners Coverage **C** Endorsement; or

d. Solely on the grounds that a claim is pending under the policy unless such claim is made under coverage for loss caused by an earthquake; or

e. Solely on the basis of an "insured's" age.

3. If this policy is written for a period of less than one year, we agree not to refuse to renew except at the end of an annual period commencing with the original or renewal effective date.

All other provisions of this policy apply.

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